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VALUE

OF A

PROTECTIVE TARIFF

TO

THE FARMER.

BY

JOS. STORY FAY.

MASSACHUSETTS AGRICULTURAL COLLEGE.

EXTRACT FROM THE THIRTIETH ANNUAL REPORT OF THE SECRETARY OF THE BOARD OF AGRICULTURE.

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THE VALUE OF A PROTECTIVE TARIFF TO THE FARMER.

Gentlemen of the State Board of Agriculture of Massachusetts:

As delegate from the Barnstable Agricultural Society I thank you for the honor you have done me in appointing me to address you on the value of a protective tariff to the farmer. I approach the subject with some diffidence as to my own power of treating the subject to the best advantage, but with not the least doubt as to the soundness of the negative position I shall take, and I ask your indulgent attention. I do not propose to detain you with an elaborate essay. I shall only submit to you a few facts and considerations that the busiest may have time to think about, and those the least familiar with the subject can understand. We know that all articles raised by the farmer, or coming from the soil, have a ready sale for *cash*, and that the producer can at once realize the results of his labor. There are manifold uncertainties in his business, but after all the vicissitudes, beyond those of any other worker in any branch of business in these United States, such as the changes of weather, wet or dry, cold or hot, wind or storm, and worm or blight, the tiller of the soil knows that what he secures will bring him its value in money. His profits, however, even in the best of seasons, and with the largest of crops, are not so great, that it is not desirable that what he receives may avail him to the utmost. The effect of taxation upon him, therefore, is important: first, as it may affect the cost of what he has raised; and, second in making the proceeds go as far as possible in supplying his wants or in adding to his small savings and capital. As things are at present, the fact is, that though he sells for *cash*, he has to rebate to *somebody*, at least thirty, if not forty or fifty per cent. of what he receives. I will now proceed to give you a few

figures from a pamphlet issued by the national bureau of statistics. From this it appears, that the value of imports of foreign goods last year, at their cost abroad, amounted to 716,000,000 dollars, of which the value of 211,000,000 was of free goods; such as tea, coffee, hides, chemicals, etc., leaving a value of 505,000,000 on which duties were paid to the amount of 216,000,000 dollars, an average of 42⅔ per cent. Think of adding this amount to the foreign cost, besides freight and other charges!

The exports of merchandise during this period were valued at 733,000,000 dollars, of which the value of 552,000,000 were the products of agriculture, or seventy-five per cent. of the whole.

Of the whole amount of exports, only a little over one-eighth, or 103,000,000 worth were manufactures, or less than two per cent. of the total manufacturing product of the country for 1880. And to make up this sum, manufactures of wood (meaning lumber) to the value of 19,000,000, of tobacco, spirits, spirits of turpentine, sugar and molasses, and many such articles have to be included. Now if the duties on the total 716,000,000 of imports, free and dutiable, are 216,000,000, or an average of thirty per cent. on all, dutiable or free, does not the country have to pay those 216,000,000 into the public treasury, in addition to the 733,000,000 value of merchandise sent away to buy them, and does not this vast sum come out of the pockets of the consumers, by the increased price of everything they have to buy? And does not the chief burden fall upon agriculture, the most important interest of the nation, and upon agriculturists, who are the largest class, whose products and labor have furnished the bulk of those exports?

In the old days of nullification, when there was much strife and much intelligent discussion upon the effect of foreign imposts, when laid for protection, Mr. McDuffie of South Carolina maintained the theory, the duties at that time being on the average forty per cent. upon goods imported from England, that if he sent 100 bales of cotton there to be sold, ordering the returns in goods, when they arrived, he had to give the United States government 40 bales more to pay the duty on the clothing, hats, shoes and blankets in

which he had ordered the proceeds of the 100 bales to be invested, thus making the 100 bales worth of goods cost him 140 bales of cotton. And this was no fallacy. It was true then, and it is true to-day. If I send 100 barrels of cranberries from my Cape Cod place, or you 100 barrels of apples from your inland farm to England, and bring back dutiable goods in exchange, we must have the proceeds of 43 barrels more in our pockets to pay the government for the duties on the goods. Even if we ordered the amount in trees, or plants, or seeds of any kind, paying a duty of twenty per cent., it would be 20 barrels on a hundred, and does this protect us? The total amount of value of seeds imported last year was $1,465,170.18, paying duties $281,038.84. There is not only no protection to us in this, but actually a barrier in the way of introducing improved seeds and plants into the country, only to increase the surplus in the public treasury at our expense, to be squandered at Washington. If it be said that you and I will bring home gold for our apples or cranberries, we cannot buy at home what we need without its cost being increased by the duties the importer has to pay on it, be it silk or merino dresses for our wives and daughters, coats and hats for ourselves, or steel ploughs or trace and log chains for our farms. You cannot escape the *fact* that you buy a great deal less for your money at home than abroad, and while the price of what you raise and sell is fixed by what it is worth in the foreign market, the price of all you want to buy here of foreign make, is fixed *here*, and the cost is increased by the duty, averaging nearly forty-three per cent. That a tax increases the price of goods is illustrated by the fact that common whiskey, worth 25 cents a gallon, is increased by the duty of 90 cents to the market value of $1.15, and the same is the effect on the price of tobacco. This increase of price by the tax, which is here clear and palpable, will apply, though less apparently, to all the articles imported from abroad, be they sugar (three cents a pound), or salt, clothing, hats or blankets, iron or steel, or manufactures thereof. There is no doubt that the prices of the same class of goods made at home are enhanced in equal ratio to the foreign goods which compete with them. If any man tells you that our protected manufacturer makes

goods cheaper than they are made abroad, ask him then, why he does not sell them at a price at which they can be shipped to South America, India or China, to compete with those same foreign goods sent to those markets from England, Germany and France? Why must our exports be mainly agricultural, if our manufacturers can afford goods cheaper than the foreigner? In addition to the 216,000,000 of dollars duties collected on foreign imports, there are 155,000,000 of internal revenue taxes collected, of which whiskey and tobacco, the products of agriculture, pay a large part. Of course these are luxuries, and we are not obliged to use them, but it makes in all a total burden of 366,000,000 dollars to fall upon *somebody*, and it cannot be a good thing. The principle is wrong to gather up this vast sum, to distribute it again, who knows where? It may be said that, if these 350 to 400,000,000 dollars a year (the latter is Mr. Folger's estimate for the current year) are gathered in taxes, the amount is all spent at home, and that the country is not the poorer for it.

Suppose this is admitted, does it not make considerable odds to whom the money goes, for it does not get back to those who contribute it? It goes from your pockets, first, to a standing army of tax gatherers, and what is left, to those whose coffers are already full. Do you know a farmer who has become a millionaire by farming? You may count them by dozens among those whose occupations and business are protected, but not among the farmers! The president of the Singer Sewing Machine Company lately died, leaving a dozen or more millions of dollars made from a business eminently protected, and from machines mainly distributed and sold among the working-people of this country. From the increased cost by duties on steel, and other causes involved in protection, these machines are too dear for profitable export; but how is this met? These capitalists build an immense factory in Glasgow, where, untrammelled by tariff, and by using foreign labor, they can supply machines to foreign work-people at one-half or two-thirds of the cost of the protected machines which you *have* to buy. But for the duty, you could import a Singer, or other sewing machine, at two-thirds of the price exacted from you here, or less,

As the thing stands now, with all the large sewing-machine factories in the country, making millions of machines yearly, you furnished for export in 1881, a greater value of fresh and dried apples than was the amount of value of those machines sent abroad in that year. The same facts apply to watches, an article of so large demand and use, and in the manufacture of which the Americans claim the pre-eminence. It is fifty years since the duties on imports were laid in a way to foster and protect "our infant manufactures." To-day the duties are heavier, when we boast of American skill and the perfection of American machinery, than they were at the start, and now when its products amount to $5,369,579,-191 per annum.

Twenty-two years ago, a sweeping tariff and an excise law were enacted as a war measure to sustain the credit of the country, and to meet the expenses of the contest for the Union, taxing almost everything to the utmost, and thus neutralizing, in many cases, the effect of the very protection desired, but putting an immense burden upon all. With all its crudities and inconsistencies and faults that tariff has never been materially changed. Indeed, some classes of manufacturers are clamoring for an increase, while some have actually obtained it, that these "infant" productions may make more millionaires. As for example: the only manufacturer of large plate glass such as we see in shop windows, demands a protection of one hundred and twenty-one per cent., and he lives in Indiana, beyond the Alleghany Mountains. This duty prohibits those who use it from getting supplies from abroad, where it is much cheaper. You were willing to sustain the burden of war, in whatever shape it came, but does not the peace of seventeen years' standing call for a relaxation, when at the present rates of revenue, there will be no public debt in twenty years, and nothing on which to base the security of the national banking system, by which you have a sound paper currency? What country has a better credit than ours, and can it be made better by unreasonable and grinding taxation, enriching the few at the expense of the many?

See, too, the temptations, with the overflowing treasury, to corrupt schemes, useless expenditures and extravagant

constructions, if not to fraud and stealing! And what protection does the farmer get? You and I know very well that so long as we raise more than can be consumed at home, and have to seek a foreign market for our surplus, no farm productions can be imported to compete with us; hence, even with the low rates of duty on cereals and the like (not over twenty per cent.), none can ever come in, except from an entire failure of crops with us, and a famine were threatened. And if foreign markets must be had to take our hundreds of millions worth of produce, and if we must take such prices as they can afford to give us, ought we not to have the privilege of buying, with the proceeds of what we ship, the cheap goods which they have to sell, rather than be forced by almost, or quite, prohibitory duties, to buy of our protected manufacturers at nearly double prices? If we could take more of their goods in return, and get them home, with a moderate revenue duty, would not foreign nations be able to buy more largely of us, and at better prices? Would they not be better customers to us if we did not exclude their products, and if they could sell us more, not having to pay us in hard cash for what they are *obliged* to take from us? In 1881, they had to pay us in gold a balance of ninety-one millions of dollars, seriously disturbing the finances of Europe.

And now, to make some specific points upon protection, let us look at the article of salt, on which a duty of about eight cents a bushel, or forty-six per cent. is levied, and for what? To protect those who own the salt-wells of Western New York, Michigan, and Virginia. Do you ever buy their salt? No! You must use the foreign article, because the Western is too dear, and must pay also heavy transportation charges. Theirs is a monopoly, and they combine to produce as much, and only as much, as they can sell at protected prices, and should they have a surplus, send it to Canada and take what they can get for it, rather than make a concession to us, or to those who, at the West, are obliged to have it for packing purposes. It is the principle on which the Dutch used to act in burning the surplus nutmegs to keep up prices. There are other things worked in the same way, and notably among them are the copper products of Lake Superior. The

mining companies sell all the copper they can at about eighteen cents a pound to the consumers in the country, and the surplus that cannot be used here is sold to go abroad, or sent there to a market where it is worth, at the outside, $15\frac{1}{2}$ cents for the best. Last year the exports of copper, out of a product of 27,275 tons, or fifty-four and one-half millions of pounds, worth nearly ten millions of dollars, were 3,340,531 pounds, at a home value of $17\frac{1}{4}$ cents a pound, amounting to $565.295; and the imports were 744,566 pounds, costing abroad $12\frac{4}{5}$ cents a pound, and amounting in value to $90,945, which paid a duty of five cents a pound. This is about the loss that the copper miner makes on his *surplus* after selling you all he can at 18 cents a pound, and it shows plainly that a protective tariff gives him a monopoly and forces the people of this country to pay several cents a pound more for all the copper they use than any other people in the world.

Where is the sense of it, except to fill the pockets of a few owners of copper mines? These do not need it as protection, for they can produce it as cheaply as it can be produced anywhere else. One mine alone (the Calumet and Hecla) has paid to its owners, in about twenty years, dividends to the amount of over twenty-one and one-half millions dollars, with several millions surplus on hand, on an original investment of $200,000. Can any such profits as this be shown in agriculture? Suppose, for a moment, that one of our neighbors should discover the most valuable copper mine in the world on his farm, should we not think it hard, if, in addition, Congress should pass a law making the rest of us (who get no bounty for raising corn or pork) pay him a bonus of five cents a pound on his product? And yet, this is practically done for the copper miners. The price of five cents a pound is added to the fifty millions of pounds mined and used in this country, and we farmers pay our full share of it. And as though this were not enough, that they should have a *full* monopoly, an almost prohibitory duty was laid upon copper ore, and the business of smelting it not only was actually destroyed, but also the foreign commerce based upon it. Formerly ships loaded with American goods sailed from Boston to Chili, and in return brought back copper ore, which was smelted at Point Shirley, East Boston,

with American coal and by American labor. Now, the whole is a thing of the past, — taxed out of existence. The decay of American shipping is not a matter of wonder when such one-sided legislation can prevail and pass without protest or complaint.

But to recur to the salt tax. When it was first imposed it was partly with a view to revenue, as salt, a necessity of life, has always been a favorite subject for monopoly and impost, and partly to protect the salt-makers on our coast. These, before the Western salt springs were worked, covered our sea-shores with thousands of acres of salt pans, making salt by solar evaporation. Now there is not an acre of them, and what good to us, or to anybody, is a protective tax on salt?

We will now look at wool as a protected article, as that is one of our farm products. Did you ever hear of a pound of wool raised in the United States, east of the Rocky Mountains, that was sold at twelve cents a pound or under, or even at sixteen cents or less? Yet wool of this character, long and coarse, coming from Asia, Africa, South America and Mexico, at a cost of twelve cents or less a pound, pays a duty of three cents a pound, and if only one mill over that, up to twenty cents, a duty of six cents a pound. Now the American wool-grower needs no protection from such wool as this! Yet this class pays sometimes, 7,500,000 dollars a year, into our over-flowing public treasury. It is used for carpets, blankets, flannels and other coarse goods, that our laboring classes need to use, and enhances to that extent the cost of them. And then what is the result to our "infant manufactures?" They must be protected against the foreign goods made in England and Germany, out of this same coarse wool, rendered more costly to our own manufacturers by the duty I have named, and so the cheap carpets, blankets and clothing which come from abroad, must pay a still heavier proportionate duty. The impost on low-priced blankets is eighty-five per cent. (almost or quite prohibitory), and the American working-man must pay one dollar and eighty-five cents for what the English laborer pays but a dollar. The duties on the finer qualities of wool are much higher, and in spite of them, large quantities are

imported, because we do not raise enough to supply the demand for our woollen mills which are heavily protected on the goods they make. You can buy nothing made of wool for your personal or domestic use, that does not pay a duty of at least fifty per cent.

How can we make money and become millionaires, or how can our farm hands afford to work for the wages we can afford to pay, when the cost of everything is enhanced by needless and cumulative taxation? Take the fine wool that is raised in New England, if it has ever been increased in price by the duty of ten and twelve cents a pound imposed upon foreign wool of the same class, adding that much to the cost of the domestic manufactured goods, it is but a drop in the bucket, compared to the amount of tax you have to pay, directly or indirectly, on all that you wear or use, except tea and coffee, and some few other articles, and among them eggs and feathers, which are duty free.

Raw hides come in duty free to the amount of 27,500,000 dollars; the cattle growers and slaughterers do not ask protection; the leather trade flourishes, and we get our shoes, harnesses and the like, by so much the cheaper. This rule or policy could be extended much to our advantage. Then look at steel. A duty of three cents a pound is levied on the greater part of the large quantity imported. Some classes pay more, but none less than two and a quarter cents a pound. You well know how much this article enters into the cost of your implements, and of the machinery which makes so many of the articles necessary to you.

Again, let me ask, how then has protection helped the farmer? In answering this question, let me call your attention to a point worthy of note and of thought, made by Mr. Carlisle of Kentucky, in a speech in Congress last year. The protection of the tariff is given under the specious and attractive cry of protecting American labor against the pauper labor of Europe, but where does this come in? I cannot see, when we are forced to send, as has been done for two years past, an average of 650,000,000 dollars' worth of produce a year across the ocean, to be sold in competition with the poorest and meanest paid labor in the world, that of Russian peasants, and of the half-starved and half-

naked Hindoos! While the manufacturers, furnace men, iron and machine makers and miners are protected against the well-paid artisans and skilled laborers of England, France and Germany, whose wages have been shown to be as high as those in this country, the *agriculturist* has to compete with the lowest grade of labor on earth, and without the privilege of reciprocity. If it be said that you have a better home market for what you raise; on the other hand it must be admitted, that a very large amount of your surplus productions, amounting to 552,000,000 dollars last year, and in 1881 to 730,000,000, would have been lost entirely but for the foreign market.

You do not dispose of all you can at high prices, as do the salt-makers and copper-miners, and sell the surplus *only* at a sacrifice. It is one price for all. Is it not due, then, to this *immense* interest that some attention should be given to build up and improve this foreign market, rather than to spend all legislative effort in raising higher barriers to keep our produce at home?

The protective system has not worked so well that you find a home market for all that is raised, and the market you have to seek abroad is not replaced or made needless by the one it is attempted to build up at home. The last census shows that there were employed in the manufacturing establishments of the United States 2,738,895 men, women and children, or a little over five per cent. of the whole population, and the profits earned upon the products of their labor by the manufacturers, in the year 1880, were $1,024,801,847, or over one thousand millions of dollars. If these are "infant manufactures," the profits are surely not infantile.

It is well, then, to look at these things squarely and fairly, and ask how much good does the *farmer* derive from the tremendous import tax of 216,000,000 dollars paid last year? For it must be borne in mind, that if by this tax the price of foreign goods imported is raised from thirty to fifty per cent., the domestic article is not sold any cheaper for the same quality. As a rule the selling price of home manufactures is fixed at little, if any, below that at which the importer offers to sell you his duty-paid goods. I could go

on almost endlessly to illustrate the hardships of a system that, in many cases, is like the tax on mortgages, a double exaction, but this is not the time nor the place to exhaust the subject.

What I have said may open a fresh line of thought to you, and raise many important questions in your minds. Perhaps none will be more pertinent than to ask, such being the state of things, what have our senators and representatives in Congress been about, that these abuses have now gone on these many years, without protest or remonstrance on their part, nay, even with apologies and defence? They may think only of the wealthy iron companies, the machine makers, the cotton and woollen manufacturers, of those who have their capital in mines, in banks, and in land-grant railroads, but not of *you*. Perhaps they do not know enough; perhaps they owe their election to the men who rally their work-people to the polls on the cry that the protection to their business is in danger, and that the wages of their operatives are threatened, and that the mills must close. They say nothing about the fear for their own large dividends and immense profits, but strive to leave all the burdens upon the shoulders of the agriculturist.

Much, very much more, could be said; much about the dwarfing of our commerce and the decline of shipping; for none can say, when eighty-four and a half per cent. or nearly seventeen-twentieths of our foreign commerce is done under foreign flags, and when the stars and stripes have almost disappeared from the ocean, that protection and navigation laws have promoted our growth and prosperity in this direction. It is, however, enough in itself to awaken our serious reflection to repeat, that the exports of agricultural products from the United States were last year 552,000,000 dollars, forming seventy-five per cent. of the whole; that the returns of these exports in foreign goods paid a tax of 216,000,000 dollars, and that the surplus revenue from all sources, applied to the premature payment of the public debt, over and above all the extravagance of expenditure at Washington, was 145,000,000 dollars.

Why should this tremendous sum be exacted annually from the hard-working people of this country? Who grow

rich by it? Look around you and you will see that it is not the *farmer*. You may not feel any particular pinch, it operates so insidiously, this indirect mode of taxation, but *do you grow rich?* Do you even make a good living out of it? Those who gather the spoils will appear if you look at the large dividends of the various classes of manufacturers and machinists, and implement makers, and miners, and while only $5\frac{1}{2}$ per cent of our population is engaged in these pursuits, look at their profits, look at their accumulations in the way of "plant" or investment, constantly adding mill to mill, shop to shop, furnace to furnace, rolling-mill to rolling-mill, out of their profits, besides the regular dividends. Look at the large establishments built in this State by the accumulations acquired by protection, which gives to certain classes a practical monopoly and large assured profits. Look at the large mills and factories all over this great Commonwealth, see how they grow — while farms dwindle and diminish in value. In a late debate in the United States Senate, a statement was read from the "Hartford Courant," of the dividends and the prices of the stock of some of the manufacturing companies in Connecticut, and among them, the Southington Cutlery Company, whose cash dividends, the last year, were twenty and a half per cent. Mr. Platt explained that these dividends were declared on their nominal capital, but their real capital was, in many instances, several times as much. An unfortunate explanation or admission, for whence came this "real capital," but from accumulated profits put into the business (and into increased buildings and machinery piled up), in addition to large semi-annual dividends? And so it is in old Massachusetts! No wonder that our young people leave the farm for the lighter work and greater emoluments of protected industry! After all I have stated, I would not be understood as advising, even if the people were agreed upon it, any *sudden*, radical change. It should be gradual, but it should be *begun*. I would not hastily impinge upon what may almost be considered vested rights. However good the *principle* of free trade may be, "buying where we can buy cheapest, and selling where we can sell dearest," we have been so long building up another system, that to stop it suddenly would be ruinous to all; but now we are so

large and independent a nation, ought we not to rise above a one-sided system, and gradually, at least, amend it? Ought we not to ask that some of the hardships and inequalities and much double taxing, the protection so called which does not protect, should be looked into and dealt with wisely and in a statesmanlike manner and corrected?

Is not the present tariff too much adapted to hold up (not to *build* up, for they are already built) certain classes at the expense of the farmer? Must there not be something wrong when everybody else gets rich, while this, numerically the largest class, grows poorer? Why must a revenue of four hundred millions of dollars be collected, when only eighty, or at most one hundred millions, are required to maintain our national credit, pay our interest, and extinguish gradually the public debt, and as much more for the economical administration of the government? Why should not the farmers demand, and the demand be yielded to, that economy and simplicity shall be the rule of the government, as it is in their own households, and a lighter weight of duties and taxes be imposed upon them?

Suppose our iron and machine makers, miners, manufacturers and railroad men should grow rich less rapidly than for the last twenty years, would it be any *evil?* Would not a return to simple, republican, purer and calmer ways, with less feverish excitement, less of luxury and show, be a public and national advantage?

I may be told that Congress is now at work in this direction. I hope it may be so, but there are those who know better than I, who say it is a sham and a delusion; that they are not honest and sincere, or in earnest; that they are only doing as those "that keep the word of promise to our ear, and break it to our hope." If so, they are playing a very dangerous game.

It is commonly said, and with much truth, that we inherit our opinions on religion, politics and finance. I confess that I inherited, or imbibed early, a conviction that protection was needful to our progress and prosperity as a nation. Experience and observation have satisfied me that it was a mistake, or if it was correct, that we have got beyond the period when it was needed. With our vast heritage of free

lands and a virgin soil, I feel that it had been better for us to have trusted to our own unaided efforts and our natural progress, rather than to have fostered special industries, and to have built up privileged classes, an aristocracy of wealth, as objectionable as an aristocracy of land.

The facts satisfy me that I was mistaken, and that the freest commerce possible with the nations of the world, would have given us, in the long run, the largest benefits as a people. We do not ask for a tariff or Chinese wall of prohibition between the other thirty-seven States of the Union and ourselves, and the principle of free commercial intercourse which we have with them would have applied equally, and would have worked as well with foreign countries. We should be *laughed* at if we were to ask Congress to protect us against Western grain, pork, butter, apples, and the like, but we know well that they are brought to the doors of our manufacturing neighbors, and that they will pay no more for our products than for them. We even know that Western produce goes to depress the value of what we raise.

In spite of this, however, let our aim be to extend our markets, while we lighten the burdens of taxation, and thus cheapen the cost of our living, and of production. Let us approach the subject, not in the spirit of partisanship or sectionalism, but as patriots, and intelligent, thinking men.

Let us try to cast aside prejudice and inherited notions and look at the things around us by the light of facts, and broaden our views, and endeavor to bring it about that there shall be no favored classes, but that we shall all stand on the broad platform of equal rights, equal burdens, equal privileges.

AGRICULTURAL COLLEGE